

Issues Concerning  
The Indiana State Department of Agriculture

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July 2008

Department of Agriculture Evaluation Committee

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Indiana Legislative Services Agency

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## **Legislative Evaluation and Oversight**

The Office of Fiscal and Management Analysis is a division within the Legislative Services Agency that performs fiscal, budgetary, and management analysis. Within this office, teams of program analysts evaluate state agency programs and activities as set forth in IC 2-5-21.

The goal of Legislative Evaluation and Oversight is to improve the legislative decision-making process and, ultimately, state government operations by providing information about the performance of state agencies and programs through evaluation.

The evaluation teams prepare reports for the Legislative Council in accordance with IC 2-5-21. The published reports describe state programs, analyze management problems, evaluate outcomes, and include other items as directed by the Legislative Evaluation and Oversight Policy Subcommittee of the Legislative Council. The report is used by an evaluation committee to determine the need for legislative action.

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## **Preface**

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Each year, the Legislative Services Agency prepares reports for the Legislative Council in accordance with IC 2-5-21. In accordance with the Legislative Council Resolution 08-06, this report concerns issues relating to the Indiana State Department of Agriculture. It has been prepared for use by the Department of Agriculture Evaluation Committee.

This report contains analysis of the goal of promoting agriculture and improved marketing.

We gratefully acknowledge all those who assisted in preparation of this report. The staffs of the Indiana State Department of Agriculture, the Lieutenant Governor's office, the Attorney General's office, and the State Budget Agency were helpful in their response to our requests for information. We gratefully acknowledge all those who responded to our questions concerning the Department or who assisted in the preparation of this report.

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## **Executive Summary**

Since 2005, when the Indiana State Department of Agriculture (ISDA) was established in Indiana, all states except Alaska and Rhode Island have departments of agriculture. The agriculture function in Indiana prior to 2005 was handled by the Office of the Commissioner of Agriculture in the Lieutenant Governor's office. The state's agricultural function has always involved economic development. The changes that have occurred since the inception of the ISDA include the changes in the use of state resources, development of an agriculture strategy, and a focus on agriculture as part of the state's economic development.

This evaluation focuses on whether the reorganization into a state department has accomplished its goal of promoting agriculture as measured by improved marketing and greater focus on agriculture in the state. LSA used multiple methods to examine the performance of the ISDA, including review of the ISDA's use of resources, interviewing industry insiders, reviewing agricultural statistics, comparing to other states through website surveys, and reviewing one of the ISDA's major projects.

Determining whether marketing has improved is not clear cut. The statistics for production for some specific commodities do not show Indiana rushing ahead of the national averages, nor falling tremendously behind. We have maintained our production share, and prices have increased at the average national rate. The fact that we have moved with the market makes it difficult to determine if we have followed national trends (i.e., all boats float in high water) or whether we have actually made progress within the limits of our resources.

National employment data show certain segments of the Indiana agricultural industry have increases in certain indicators, such as employment increasing in livestock production and in agricultural support segments. However, the available data are not detailed in such a way that gains in employment, wages, or establishments may be identified by subcategories within the industry segments. Also, the timeframe under study only provided information for about two years since the establishment of the ISDA; not enough time to establish trends and evaluate their causes. However, overall, industry insiders said that marketing has improved with the establishment of the ISDA.

LSA also asked the industry respondents how they would measure greater focus on agriculture in the state. Most did not have an answer, but they did feel that the ISDA had brought greater focus. In some evaluations, focus is easily recognized because an agency will receive more state or federal dollars. The ISDA has not received a greater appropriation than the Office of the Commissioner, when the appropriation is adjusted for the new responsibilities that transferred to the ISDA from DNR. However, the ISDA has used these resources differently from the Office by paying for more personal service contracts and making fewer grants.

Turning to the BioTown, USA project, it appears that the ISDA has achieved the goal of drawing attention to alternative energy production. Although this project has not gone according to schedule, the plans for the project appear to be underway using primarily federal and private funding.

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The Legislative Evaluation and Oversight Policy Subcommittee of the Legislative Council requested a review of the Department of Agriculture focusing on whether the reorganization has accomplished its goal of promoting agriculture as measured by improved marketing and greater focus on agriculture in the state, and providing a progress report on the reorganization.

This evaluation was accomplished by reviewing documents prepared by the Indiana State Department of Agriculture (ISDA), accessing state accounting records, interviewing commodity associations and others in agricultural businesses, analyzing national agricultural statistics, and reviewing other states' websites.

Indiana was one of only three states that did not have a department-level agency for agriculture until 2005 when the ISDA was formed. The previous structure, a commission within the Department of Commerce, had most of the same statutory functions that the ISDA has today. In fact, the major changes between the two organizational structures appears to be the line of command and the difference in stature between a stand-alone agency versus a division. The ISDA has developed a strategy for state agriculture that makes many changes to the prior course of action followed by the Office of the Commissioner of Agriculture, including different deployment of resources, emphasis on new or different agricultural products such as lumber, and an aggressive economic development outlook. Despite this change in perspective, the data on certain agricultural commodities and economic measures do not indicate either that the ISDA has improved marketing and provided greater focus on agriculture or that it has not. Based on the interviews conducted by LSA, in the judgement of the people who work with the ISDA - the agricultural associations and industry - it appears the ISDA has made progress toward its goals.

## **History of the Indiana Department of Agriculture**

The ISDA was created in statute by HEA 1008 - 2005 (P.L. 83 - 2005). Until the formation of the ISDA, the Lieutenant Governor served as the Commissioner of Agriculture, with the Indiana Commission for Agriculture and Rural Development administered as part of the Department of Commerce.

Under the legislation, the Lieutenant Governor became the Secretary of Agriculture and Rural Development, and a separate state Department of Agriculture and Office of Community and Rural Affairs were created. The ISDA is headed by a director appointed by the Governor and responsible to the Secretary.

All powers and duties of the Assistant Commissioner transferred to the Director, and all of the functions and programs in the Department of Commerce that related to economic development of agriculture or that administered an agricultural statute transferred to the new Department of Agriculture.

The ISDA provides administrative assistance and staff support to the following entities:

(A) Center for Value-Added Research - The Center was responsible for strategic planning and economic development. These duties were transferred to the ISDA Director upon repeal of the Center in 2008 legislation.

(B) Indiana Organic Peer Review Panel - According to statute, the Panel adopts criteria for standards used to certify that an agricultural product was produced or handled in accordance with the Organic Foods Production Act, reviews applicants, and establishes fees. There is no entry for the Panel on the ISDA website, and the only articles on the Panel date back to the 1990s.

(C) Indiana Grain Buyers and Warehouse Licensing Agency - The Director of the Indiana Grain Buyers and Warehouse Licensing Agency (IGBWL A) is appointed and serves at the pleasure of the Director of the ISDA. The IGBWL A seeks to reduce risk to grain producers by licensing and auditing:

- (1) *Grain banks* - Stores only grain bank grain, purchases less than 50,000 bushels of grain per year, and has storage capacity of not more than 50,000 bushels of grain;
- (2) *Warehouses* - Stores grain and purchases less than 50,000 bushels of grain per year;
- (3) *Grain buyers* - Purchases at least 50,000 bushels of grain per year from producers (which is not for the sole purpose of feeding the company's own livestock or poultry), offers deferred pricing, delayed payments, or contracts linked to the commodity futures or commodity options market in connection with grain purchases. Includes firms licensed under the U.S. Warehouse Act; and
- (4) *Buyer/warehouses* - Operates both as a warehouse and as a grain buyer.

The agency inspects and tests moisture testing equipment annually to ensure equity among producers and elevators. The IGBWL A also holds administrative hearings concerning licensee obligations established in statute and administrative rule.

The IGBWL A has nearly 300 licensees, including 400 facilities with a combined 490-million-bushel storage capacity. The IGBWL A reports that in the past year, the agency's field auditors inspected over 840 moisture meters and conducted 357 state and 112 compliance audits, as well as 78 soybean checkoff audits.

(D) Indiana Grain Indemnity Corporation - The Corporation is a public body corporate and politic which is governed by a 13-member board of directors; 10 are appointed by various agricultural and banking organizations in the state, and 3 are nonvoting, ex officio members. The Corporation operates the Grain Indemnity Program, which compensates producers if they are unable to receive payment for the sale of their grain or retrieve grain left in storage at a grain warehouse. Producers paid into this voluntary indemnity program fund beginning on July 1, 1996, by remitting two-tenths of a percent of each grain sale until the fund reached a \$10 M funding cap.

The fund reached the legal cap in 1998, the year of the fund's first payout. The fund has paid producers \$2,527,729.03 involving eight elevator failures since 1996.

(E) Indiana Land Resources Council - The Council collects information and provides educational assistance, technical assistance, and advice to local governments regarding land-use strategies and issues across the state.

The Council includes representatives of county and municipal governments, home building and land development, business, environmental interests, soil and water conservation districts, forestry, a land-use expert, and a farmer. The Council's mission is to evaluate all types of land use, not just agricultural land use, and the Council's objective is to develop model ordinances for agricultural zoning and other tools for counties and municipalities.



(F) State Fair Board - The 17-member board includes the Governor and the Director of the ISDA, or their designees, the director of cooperative extension services at Purdue University, 7 members appointed by the Governor, and 1 member elected from each district. The Board is responsible for the state agricultural fair, which is required by statute to emphasize agriculture and agribusiness.

The Board is subject to the policies of the State Fair Commission, a body corporate and politic and separate from the state. (The State Fair Commission responsibilities or administrative support did not transfer to the ISDA.)

(G) Indiana Corn Marketing Council - The Council is a public body corporate and politic, and separate from the state, which uses assessments on corn for market development, promotion, and research programs.

(H) Indiana Dairy Industry Development Board - The Board is a public body corporate and politic, and separate from the state, which uses assessments collected from milk producers for programs that promote state or regional dairy products.

(I) Commodity market development councils - Each council represents a specific commodity that uses fees to develop marketing programs.

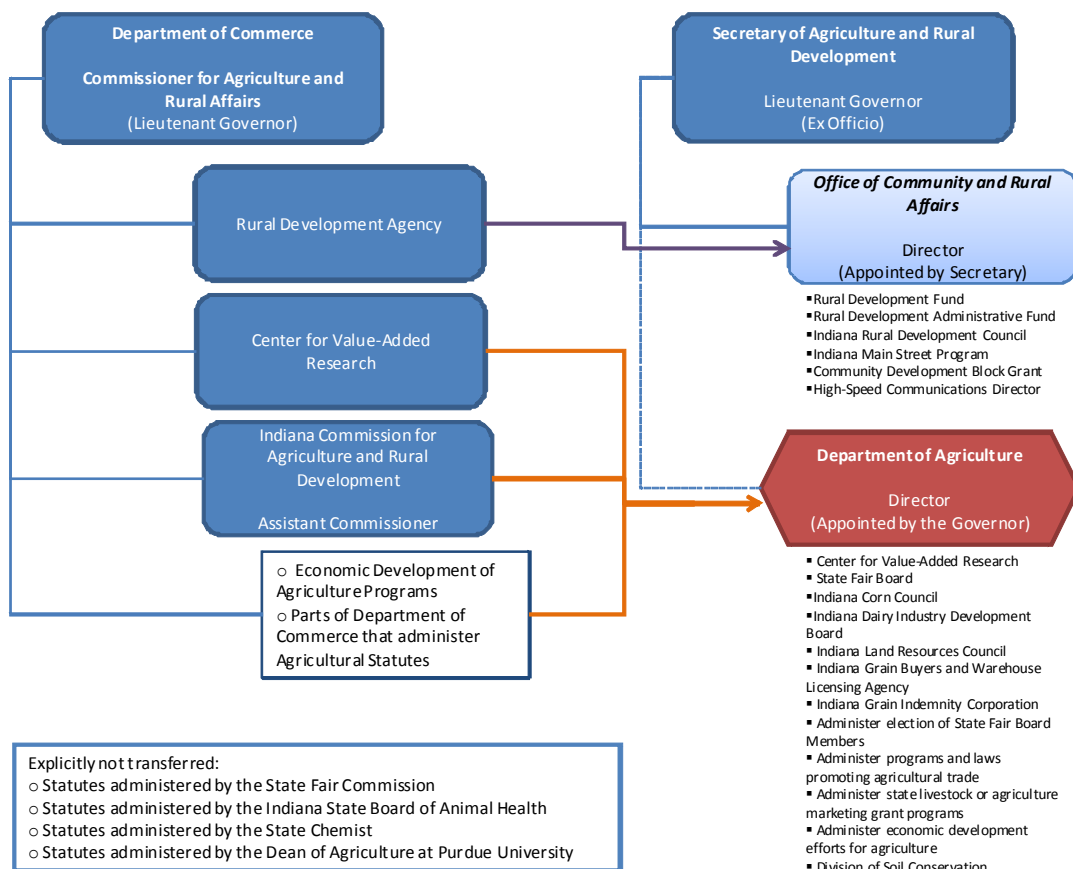
The Division of Soil and Conservation, which was in the Department of Natural Resources, also transferred to the ISDA. The Division indicates its mission is “to provide technical, financial, and educational assistance needed to implement economically and environmentally compatible land and water stewardship decisions, practices, and technologies.”<sup>1</sup>

SEA 314 - 2008 (P.L. 12 - 2008) further changed the duties of the ISDA. The bill added specific economic development efforts to be administered by the ISDA, and it required the ISDA to assist agricultural businesses in obtaining and preparing permits and serve as a liaison between the industry and the state and local government. The bill provided for the confidentiality of financial and application information obtained by the ISDA that relates to economic development or promotion of agriculture and certain voluntary certification programs. It established duties for the Director of the ISDA concerning agricultural promotion and research, international agricultural trade, and diversified farming. The bill also repealed provisions concerning livestock export inspection facilities, livestock inspection fees, livestock export facilities, and the Livestock Export Facility Administration Fund; the Center for Value-Added Research; and adoption of federal fruit grades, domestic grading of certain fruits, inspections, and penalties. Most of the 2008 changes are not incorporated in this evaluation as the bill passed during the preparation of this report.

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<sup>1</sup><http://www.in.gov/isda/2328.htm>

## The Establishment of the Indiana Department of Agriculture



Source: HEA 1008 - 2005

## Organizational Structure

The organizational chart provided by the ISDA (below) shows seven separate divisions including the following:

- |                          |                        |
|--------------------------|------------------------|
| (1) Economic Development | (5) Operations         |
| (2) Conservation         | (6) Regulatory Affairs |
| (3) Policy and Research  | (7) Administration     |
| (4) Communications       |                        |

In its discussion of the organizational structure<sup>2</sup>, the ISDA identified five core mission areas. In this discussion, the ISDA combined conservation and regulatory affairs, and included administration in operations. The description of each area provided by the ISDA is presented below:

Economic Development: Responsible for fostering economic activity in food and agriculture and implementing market development programs.

Conservation and Regulatory Affairs: Responsible for implementing the state's soil conservation programs and livestock producer support tools, interacting with key regulatory bodies which impact agriculture.

Policy and Research: Responsible for the myriad of economic and policy research analyses that are important in advancing the strategic plan and maintaining a grasp on the state and global agricultural economy.

Communication and Outreach: Responsible for external communications and marketing, oversight for any communications to advance the strategic initiatives, and coordinating the department's outreach efforts.

Operations: Responsible for budgeting, technical support, human resources, office management, grants and contracts, and internal legal advice.

In consideration of the purpose of this evaluation, the conservation and regulatory affairs areas were not extensively reviewed, although some information was developed in these areas.

### *Advisory Committee*

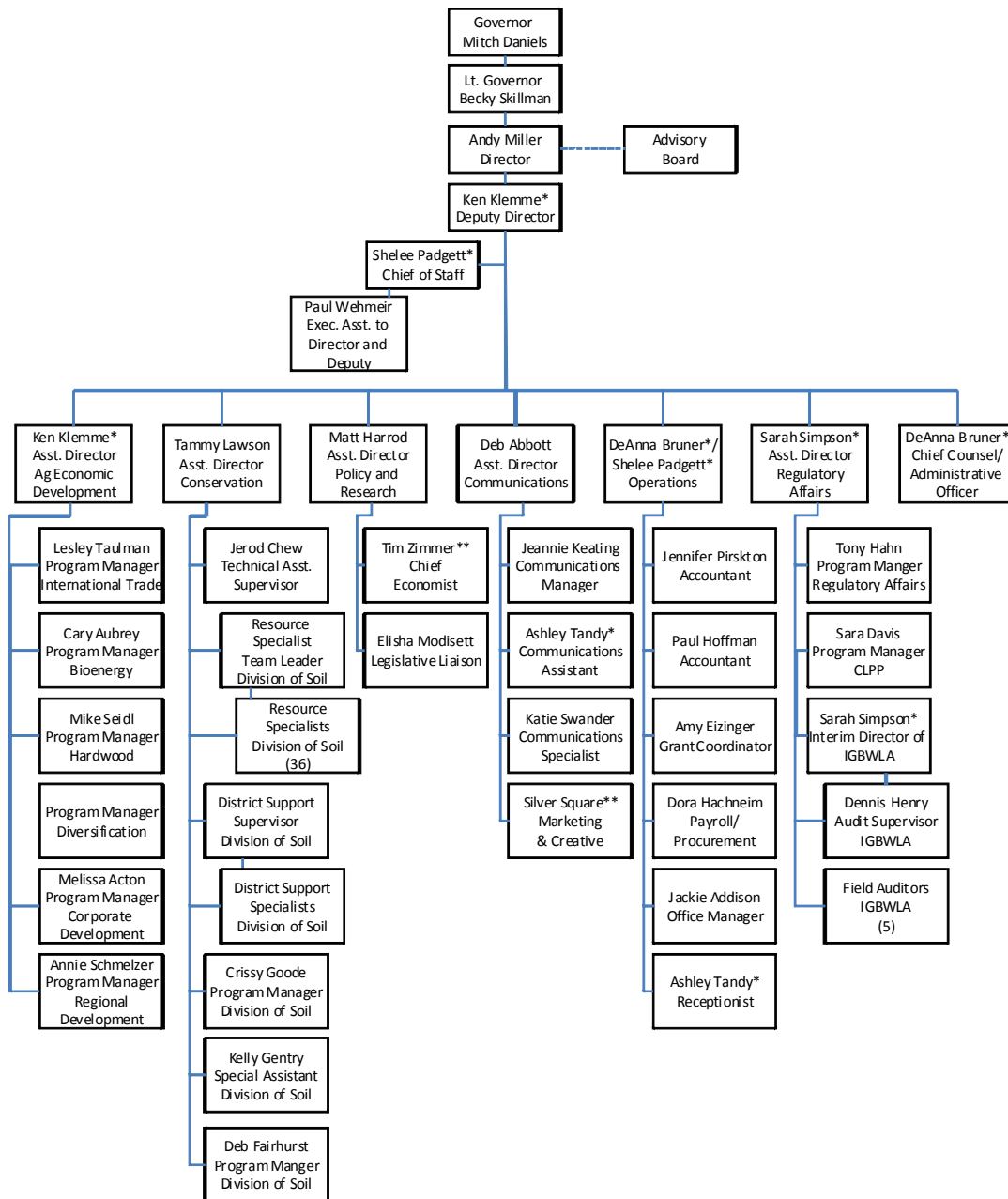
IC 15-11-3-5 requires the ISDA director to establish an advisory board to advise the ISDA in the implementation of its duties. The 17-member advisory board is composed of managers, directors, and owners of agribusinesses and includes one commodity association. Two members are ex officio, including the Dean of Agriculture at Purdue University and a board member of the Indiana Economic Development Corporation. The board meets quarterly to receive updates and to make recommendations to the Director. According to the ISDA, minutes are unavailable for most advisory board meetings since legal advice indicating that the

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<sup>2</sup>Legislative Services Agency; Report by Indiana State Department of Agriculture, March 24, 2008, p. 9.

board must comply with the open door meeting laws was only recently received.<sup>3</sup>

The ISDA Organizational Structure



\*Indicates individual holds more than one position.

\*\*Indicates position is held by a personal services contractor.

Source: ISDA

<sup>3</sup>Email message from Elisha Modisett, 6/10/2008 10:43 AM.

## *Personnel*

LSA contacted 34 agribusinesses and commodity associations to obtain background for this report and to get the industry's evaluation of the ISDA. Of the 34 contacts, LSA received responses from 20 organizations. Most of the larger groups and businesses are represented in this sample with the exception of the Indiana Corn/Soybean Association. (See Appendix A for a complete listing of respondents.) LSA used the common comments from the respondents to provide an evaluation of the ISDA. Although this method of evaluation is qualitative and subjective, the degree to which respondents gave similar responses gives validity to the results.

Of the 20 respondents interviewed, 9 people indicated their belief that the ISDA has too many staff or that the number of people working in communications or public relations had increased greatly as compared to the former office's staffing model. Some respondents disliked the increase of bureaucracy, while others expressed concerns about access to the decision-making process at the ISDA or communications from the ISDA. In the ISDA organizational chart above, the lines of command reach back to the assistant directors and ultimately the Director, Lieutenant Governor, and Governor. Also, there are four staff assigned to communications, plus Silver Square Marketing and Creative, a contractor, fills a position on the chart.

Increases in the number of staff are expected when an office within another agency becomes a stand-alone agency that must provide support services that would have otherwise been provided by the larger agency. In the organizational chart above, the conservation branch was transferred into the ISDA by statute and the operations branch provides financial and legal services that may have previously been provided by the Lieutenant Governor's office.

FY 2003 budget information shows the following filled and vacant positions in the Office of the Commissioner<sup>4</sup>:

<b>Position Name</b>	<b>Number of Positions</b>
Field auditor or examiner	11
Commodity examiner	2
Unclassified	6
Development specialist	3
Administrative assistant	1
Secretary	<u>1</u>
<b>Total</b>	<b>24</b>

Comparing the ISDA organizational chart, above, to the budget information from the Office of the Commissioner, there are 7 positions related to the IGBWLA on the organizational chart which may equate to the 13 examiner positions in the FY 2003 budget. The 19 current-structure positions, including the Director and support staff, and the agriculture economic development, policy and research, and communications

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<sup>4</sup>*Schedule of Personal Services- All Years*, agency 0038, version 2003-0038-D-01.

divisions, may correspond to the remaining 11 positions in the FY 2003 budget. (Note: Not all of the functions in the current organizational chart correspond to the personnel in the former Office of Commissioner because the functions transferred from other agencies or did not exist.)

For further comparison, the state staffing tables were reviewed. Data available to LSA from the staffing tables dated to December 2005 and indicate that between December 2005 and May 2008, the number of filled positions within the ISDA has increased from 62 to 71 (14.5%), while the number of authorized FTEs actually decreased from 96 to 76 (-20.8%). (See Table 1.) The greatest decrease in authorized positions occurred in clean water field staff, grain buyers wholesale licensing, and soil conservation field staff. Clean water field staff and grain buyers wholesale licensing also saw decreases in the number of filled positions. Soil conservation field staff saw a large increase in the number of filled positions between the two time periods, perhaps offsetting other filled position losses.

**Table 1: Authorized and Filled Positions**

Division	Authorized Positions			Filled Positions		
	Dec-05	May-08	Change	Dec-05	May-08	Change
Administration	15	18	20.0%	11	16	45.5%
Clean Water Field Staff	44	26	-40.9%	27	25	-7.4%
Grain Buyers Wholesale Licensing	11	9	-18.2%	10	8	-20.0%
Soil Conservation and Clean Water	8	8	0.0%	6	8	33.3%
Soil Conservation Field Staff	<u>18</u>	<u>15</u>	-16.7%	<u>8</u>	<u>14</u>	75.0%
Total	96	76	-20.8%	62	71	14.5%
Source: State Staffing Table						

In Table 2, the total salary for the ISDA filled positions increased by \$726,526 (26.8%) between December 2005 and May 2008, and the salary per FTE increased \$4,681. This is an average annual percentage change of about 4% over the two-and-a-half-year period. During the same time period, the average annual percentage change for salaries of all filled state positions was 5%.

**Table 2: Salary and Salary Per Full-Time Equivalent**

Division	Salary			Salary/FTE		
	Dec-05	May-08	Total % Change	Dec-05	May-08	Annual % Change
Administration	\$613,336	\$973,034	58.6%	\$55,758	\$60,815	4.0%
Clean Water Field Staff	965,432	1,066,029	10.4%	35,757	42,641	7.0%
Grain Buyers Wholesale Licensing	456,571	365,748	-19.9%	45,657	45,718	0.0%
Soil Conservation and Clean Water	298,201	429,758	44.1%	49,700	53,720	3.0%
Soil Conservation Field Staff	<u>382,122</u>	<u>607,619</u>	59.0%	<u>47,765</u>	<u>43,401</u>	-4.0%
Total	\$2,715,661	\$3,442,187	26.8%	\$43,801	\$48,482	4.0%
Source: State Staffing Table						

## Budget

Appropriations for agriculture were made for the Office of the Commissioner of Agriculture within the Lieutenant Governor's office prior to the creation of the ISDA. These appropriations were grouped within the economic development section of state appropriations. With the formation of ISDA, appropriations are still made within the economic development section of the list of appropriations, and many of the fund/center numbers have been retained. Table 3 shows the annual appropriations for agriculture for the years before and after the reorganization.

On average, prior to the formation of the ISDA, about 42% of the appropriations for agriculture came from the state General Fund, 8% from dedicated funds (included general fund/specific purpose dollars), and 50% from the Tobacco Settlement Fund. Since the creation of ISDA and the transfer of the conservation function from the DNR, the state General Fund provides only 30% of the budget, dedicated funds provide 67% of the budget, and the Tobacco Settlement Fund contributes only 3% of the funding.

Dedicated funds are the revenue sources for the Livestock Industry Promotion and Development Fund, the Grain Indemnity Fund, the Grain Buyers and Warehouse Licensing Agency, the Clean Water Indiana Division, and the Soil Conservation Division. The transfer of the conservation function to the ISDA has greatly increased the dedicated fund source. In FY 2002, \$5.0 M was appropriated for Tobacco Farmers and Rural Community Impact from the Tobacco Settlement Fund. In FY 2006 and FY 2007, \$500,000 per year was appropriated from the Tobacco Settlement Funds to the Value-Added Research Fund. In the current biennium, no Tobacco Settlement Funds are appropriated in the ISDA budget, thereby reducing the portion of the Tobacco Settlement Fund as an ISDA funding source.

**Table 3: State Appropriations for Agriculture: FY2002 - FY 2009**

Account Name	Office of the Commissioner of Agriculture				Indiana State Department of Agriculture			
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Office of the Commissioner of Agriculture	\$1,574,136	\$1,574,136	\$1,610,951	\$1,610,951	\$1,676,736	\$1,677,783	\$2,485,449	\$2,485,449
Value-Added Research Fund*	400,000	400,000	857,957	857,957	850,000	850,000	655,500	655,500
Livestock Industry Promotion and Development Fund*	292,030	292,030	292,030	292,030	500,000	500,000	365,000	365,000
E85 Fueling Station Grant Fund							1,000,000	
Farm Counseling Program	300,000	300,000	279,000	279,000				
Land Resources Council	130,084	130,084	150,633	150,633				
Tobacco Farmers and Rural Community Impact	5,000,000	5,000,000						
Grain Indemnity Fund - Producer Premiums	252,000	252,000						
Grain Buyers and Warehouse Licensing Agency							160,000	160,000
Clean Water Indiana					3,750,000	3,750,000	4,250,000	4,250,000
Soil Conservation Division					1,968,750	1,968,750	1,937,652	1,937,652
Educational Outreach**							150,000	150,000
Development of Conservation**							150,000	150,000
<b>Total</b>	<b><u>\$7,948,250</u></b>	<b><u>\$7,948,250</u></b>	<b><u>\$3,190,571</u></b>	<b><u>\$3,190,571</u></b>	<b><u>\$8,745,486</u></b>	<b><u>\$8,746,533</u></b>	<b><u>\$11,153,601</u></b>	<b><u>\$10,153,601</u></b>
<b>% Change</b>		<b>0.0%</b>	<b>-59.9%</b>	<b>0.0%</b>	<b>174.1%</b>	<b>0.0%</b>	<b>27.5%</b>	<b>-9.0%</b>

\*The biennial appropriations shown here include estimates of fund balances divided over the two years of the biennium.

\*\*Appropriations are made to the ISDA for the operating costs of education outreach, and development in conservation, bioenergy, and natural resources through an education outreach and development center. The ISDA indicates that these appropriations are for use by the Hoosier Heritage Youth Foundation.

Source: State Budget Agency, *Biennial List of Appropriations*



## *Expenditures*

Table 4 shows a comparison of the average annual expenditures prior to and after the formation of the ISDA using the Office of the Commissioner (1000/100780), the Value-Added Research Fund (1000/212200), and the Livestock Industry Promotion and Development Fund (6000/134600). (These are the fund/centers most closely aligned with marketing and promotion. However, the current expenditures for the Office of the Commissioner may include some expenses for grain licensing or conservation.) The individual cost objects or line-item expenditures were grouped into expenditure areas. The expenditure areas were averaged for the four years prior to the creation of the ISDA and for the 2.83 years after the creation of the ISDA. (FY 2008 expenditures are not complete, covering only 10 months, or 0.83 of the year.) Overall, expenditures from these three fund/centers has increased between the two periods by 51.2%, or about \$1 M.

The management consultants and agreements and fees cost objects increased the most, while the grants cost object decreased about 8.0%. Nontaxable reimbursement and court costs/sheriff fees are two new areas of expenditure. Nontaxable reimbursements include payments to Purdue University, a nontaxable entity, and federal reimbursement for organic certification costs that flows through the ISDA. The court costs/sheriff fees category pays for required background checks and Lexis/Nexis fees. CDP billback is an automatic deduction for the Indiana Office of Technology over which the ISDA does not exert control.

The ISDA indicates that many of the changes in these expense areas can be attributed to changes in accounting practices. For example, printing and training costs have increased due to better classification of expenses and direct vendor payments. The ISDA also attributes increases in printing to trade missions, the Agriculture Economic Development Initiative (AEDI), and individual program promotions.

In additional analysis, ISDA indicates that

...higher out-of-state travel is attributable to ISDA's successful trade missions. Higher expenses in personal services, grants, in-state travel and equipment are attributable to the Division of Soil, which administers the Conservation Reserve Enhancement Program and Clean Water Indiana grants through their field staff. Some new accounts have been created to match up with new duties created with ISDA, but for the basic accounts, the funding has not increased substantially.<sup>5</sup>

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<sup>5</sup>*Legislative Services Agency; Report by Indiana State Department of Agriculture, March 24, 2008, pp. 7-8.*

**Table 4: Comparison of Average Annual Expenditures Prior To and After the Establishment of the ISDA**

<b>Expense Area</b>	<b>Prior to the ISDA FY 2002 - FY 2005</b>	<b>After the ISDA FY 2006 - Partial FY 2008</b>	<b>Change</b>
Consulting	\$1,092.11	\$92,760.88	8393.7%
Agreements and Fees	5,435.33	271,704.92	4898.9%
Training	203.55	3,641.03	1688.8%
CDP Billback	1,985.00	17,662.19	789.8%
Printing	1,289.13	10,650.21	726.2%
Dues	4,730.36	19,534.25	313.0%
Telephone	14,068.50	31,457.00	123.6%
Nontaxable Reimbursement	-	12,625.71	100.0%
Court Cost/Sheriff Fees	-	410.25	100.0%
Travel	74,468.75	145,291.20	95.1%
Computer	2,151.65	3,795.00	76.4%
Salary	827,594.88	1,285,411.82	55.3%
Miscellaneous	6868.76	9,927.29	44.5%
Benefits	304,694.70	418,314.96	37.3%
Surety Bond	624.25	795.10	27.4%
Land/Buildings	82,630.40	103,007.21	24.7%
Equipment	10,711.53	11,342.75	5.9%
Supplies	6,629.53	6,510.43	-1.8%
Grants	649,954.04	597,879.51	-8.0%
Repairs	4,922.52	2,333.16	-52.6%
Postage	11,431.79	5,052.32	-55.8%
Software	6,551.44	2,186.12	-66.6%
Legal Advertising	<u>578.08</u>	<u>119.55</u>	-79.3%
<b>Average Annual Expenditures</b>	<b>\$2,018,616.28</b>	<b>\$3,052,412.87</b>	<b>51.2%</b>
Source: State Auditor's Data			

Table 5 shows the list of current contracts for management consulting and personal services. The list was provided by the ISDA, with additional information developed through the Department of Administration's 2007 Professional Services Contract Report<sup>6</sup>. In addition, the ISDA indicated that special disbursing officer (SDO) accounts were reimbursed.<sup>7</sup> The Budget Agency confirmed that these reimbursements cover one and a half fiscal years and that all agencies are being asked to discontinue or reduce the use of SDO accounts.

**Table 5: List of Management Consulting and Services Contracts**

<b>Contractor</b>	<b>Purpose</b>	<b>Term</b>	<b>Amount</b>
Ginovus LLC*	Services for the Agriculture Economic Development Initiative starting at the county level and working up to the regional.	8/1/2006 - 12/31/2008	\$1,248,345
Debbie Hohlt**	Federal relations services and maintain/manage the state's DC office. (Contract is listed under the Governor's office.)	1/11/2007 - 1/10/2008	264,000
Tim Zimmer	Serves as Chief Economist and a resource for research and policy analysis	2/19/2007 - 7/19/2008	33,000
Silver Square Consulting, Inc.	Design and production services for various office publications and website management services	2/1/2007 - 1/31/2008	32,300
Widmeyer	Pre-development of communications material	5/4/2007- 4/30/2008	19,000
Miller and Associates	Grain Buyers Support	N/A***	N/A
Eli Lilly & Company/Pat James	Corporate Development	N/A	N/A
Newspaperclips.com	Communication Support	N/A	N/A
<p>*Ginovus and the Agriculture Economic Development Initiative were not listed among the contracts received from the ISDA. In fact, this contract is listed among the grants for the Livestock Industry Promotion and Development Fund. This contract is discussed in more detail in the <i>Livestock Industry Promotion and Development Fund</i> section below.</p> <p>**Contract information reported in the Governor's office section - the ISDA share of the contract is \$13,200.</p> <p>***N/A means no information available in the 2007 report. The 2008 report is not yet available.</p>			

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<sup>6</sup>Although the ISDA was established in statute for over a year, the 2007 Professional Services Contracts Report places these contracts in the Lieutenant Governor's office section, unless otherwise noted.

<sup>7</sup>Based on information received from the ISDA, the total reimbursement of SDO accounts was about \$34,579.

The ISDA, in its budget transmittal letter in 2007, envisioned “retooling of the Department’s budget structure especially to insure that traditional economic development activity is possible, similar to the [Indiana Economic Development Corporation].”<sup>8</sup> To meet its goal, the ISDA wanted to change its funding structure and its funds by eliminating its two grant-based funds, the Value-Added Research Fund and the Livestock Industry Promotion and Development Fund, and replace them with market development funds which would focus on driving innovation and commercialization in key parts of the food and agricultural sector.<sup>9</sup> New funding for the Value-Added Research Fund and the Livestock Industry Promotion and Development Fund has been discontinued, but the statutory authority for the funds has not been repealed. The ISDA’s use of the funds has changed and is discussed in more detail below.

### *Value-Added Research Fund*

The Value-Added Research Fund consists of money appropriated by the General Assembly. Money in the fund at the end of the year does not revert to the state General Fund. The Fund is administered by the director of ISDA to fund the Center for Value-Added Research (which was repealed in 2008) and for the purposes of the chapter (which were amended during the 2008 legislative session):

- (1) Developing a strategic assessment of Indiana agricultural industries and establishments (As amended: Working with each county to develop an annual assessment);
- (2) Developing recommendations for legislative and administrative programs;
- (3) Identifying and prioritizing research development and educational needs for expanding value-added opportunities in Indiana (As amended: Deleted);
- (4) Establishing cooperative industry research and development initiatives that lead to new agricultural opportunities in Indiana;
- (5) Serving as a resource for industry in planning, promotion, and development of value-added agricultural products, and for industry and the state to attract value-added agricultural industry to the state;
- (6) Developing private sector research funding and technology transfer programs; and
- (7) Providing a forum for continuing dialog between industry, government, and researchers.

In the account narrative for the Value-Added Research Fund, the ISDA reports that in the past, the recipients have tended to be “educational institutions, agribusinesses, and other research-oriented entities whose activities promote enhancement of the value of Indiana commodities.” The ISDA said that it has “taken the initiative further by funding international trade mission trips and focusing on agriculture’s role in Indiana’s economic comeback.”<sup>10</sup>

Expenditures from the Value-Added Research Fund, shown in Table 6, have varied greatly between FY 2000 and FY 2007. Between FY 2002 and FY 2004, the Fund was exclusively used to make grants largely to agricultural associations and Purdue University. Beginning in FY 2005, additional expenditures were made from the Fund, including the salary and benefits of three broadband executive positions. (The broadband

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<sup>8</sup>ISDA FY 2008-09 Biennium Budget Request, p. 4.

<sup>9</sup>Ibid.

<sup>10</sup>BudStars, Account Narrative, Department of Agriculture, version 2007-0036-G01, reporting level 04-01-036-05-015-00-00, fund/center 1000/212200.

designation describes the pay range of the position, which ranges from \$40,000 to \$135,000.) However, in FY 2008, the positions shifted to the ISDA main account. Additionally, the Fund has made its first loan to IN Partners LLC. The ISDA explained:

[The loan was made to support] a proposed \$30 million food and agriculture venture capital fund to be headquartered in Indianapolis. The [ISDA] loaned \$500,000 to cover initial operating expenses of MidPoint Food & Ag Fund, LP, during its fund-raising period. The general partner of the fund is IN Partners, LLC, an Indiana limited liability company.

Per the loan agreement, interest is earned at 1%. Neither principal nor interest are payable until one year after the first close. (That is, one year after the investors make their initial investments into the venture capital fund.) Thereafter, annual payments are due on each anniversary of the first close. Each annual payment consists of \$50,000 principal plus accrued interest, so it will take 10 payments to repay the loan. The borrower may prepay the loan at any time, and must repay any outstanding balance if the MidPoint Food & Ag Fund is closed out prior to repayment of the loan.<sup>11</sup>

The fund balance of approximately \$1.3 M was appropriated for the FY 2008 - 2009 biennium with no new funds being added. The \$500,000 loan is an illiquid portion of fund balance reducing the funds available in the current biennium to about \$800,000. The three positions that were paid from the Value-Added Research Fund have been moved to the main state General Fund account, and other expenditures from the Fund have been reduced.

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<sup>11</sup>Email message from Elisha Modisett, 5/8/2008 12:49 PM, attachment titled: *04 29 08 questions.doc*.

**Table 6: Value-Added Fund Expenditures**

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008*
<b>Beginning Fund Balance</b>	<b>\$510,470</b>	<b>\$410,306</b>	<b>\$584,656</b>	<b>\$952,741</b>	<b>\$1,459,310</b>	<b>\$1,688,560</b>	<b>\$1,343,690*</b>
<b>Expense Area</b>							
Grants	\$261,764	\$83,607	\$492,780	\$320,792	\$149,963	\$319,241	\$367,665
Salary & Wages					159,960	315,337	
Benefits					39,047	94,496	
Agreements and Fees				21,639	22,438	9,488	23,616
Consulting					127,250	65,667	
Computer						7,287	
Court Cost/Sheriff Fees						372	
Dues				1,000		25,092	10
Equipment						7,709	3,240
Land/Buildings						2,309	1,649
Miscellaneous						3,767	3,250
Nontaxable Reimbursement							5,731
Postage						1,553	
Printing						13,078	46
Repairs						11	10
Supplies					100	390	30
Telephone						1,665	
Training						8,625	105
Travel					<u>25,371</u>	<u>114,139</u>	<u>58,233</u>
<b>Total</b>	<b>\$261,764</b>	<b>\$83,607</b>	<b>\$492,780</b>	<b>\$343,431</b>	<b>\$524,129</b>	<b>\$990,226</b>	<b>\$463,584*</b>
<b>% Change</b>		<b>-68.1%</b>	<b>489.4%</b>	<b>-30.3%</b>	<b>52.6%</b>	<b>88.9%</b>	
* Partial year (July 1 - April 30)							
Source: State Auditor's Data							

*Livestock Industry Promotion and Development Fund*

The ISDA administers a dedicated fund, the Livestock Industry Promotion and Development Fund (LIPDF), that is used to aid, encourage, foster, and promote the development and improvement of the livestock industry throughout Indiana. The LIPDF receives 50% of the tax received from parimutuel wagers made at satellite facilities (IC 4-31-9-9). (The other half of the revenue is distributed to the State Fair Commission.) Table 7 below shows the total revenue from satellite facility wagers and the 50% that is deposited in the LIPDF.

**Table 7: Satellite Facility Waging Tax and LIPDF Revenues**

	<b>Total Revenue</b>	<b>LIPDF Share</b>
FY 2003	\$551,461	\$275,731
FY 2004	581,940	290,970
FY 2005	675,621	337,811
FY 2006	704,102	352,051
FY 2007	668,004	334,002
Source: Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2007		

According to statute, the ISDA may make grants from the LIPDF to associations or organizations to conduct or support livestock industry shows, sales, expositions, conventions, or similar events; and to support expanding markets for Indiana livestock producers by encouraging the development of business and industry related to livestock production, processing, and distribution. The statute requires that, for grants from the LIPDF, a match from another source be provided in an amount equal to or in excess of the grant from the LIPDF, and that a grant awardee must be a nonprofit entity to be eligible for grants. Also, the fund may pay administrative expenses.

Referring to Table 8, review of the expenditures for the LIPDF shows that between FY 2002 and FY 2006, the LIPDF was primarily used to make grants. In addition to grants, in FY 2005, state indirect costs were paid from the LIPDF. In FY 2007, there were expenditures of \$412,500 for other service fees. In FY 2008, salary, benefits, telephone, and nontaxable reimbursements were expended in addition to grants and other service fees. According to the ISDA, in April 2008, the expenditures for two employees funded through the LIPDF were moved to the main state General Fund account.

In FY 2007 (and for estimated FY 2008), expenditures from the LIPDF have exceeded its revenue and the listed appropriation for the LIPDF. The LIPDF statute appropriates the entire amount of the fund, and the fund has had a sufficient fund balance to support the higher level of expenditures. The budget bill supercedes any annual appropriation fixed by law, but this Fund received no additional appropriation in the current biennial budget so the statutory appropriation applies.

**Table 8: Livestock Industry Promotion and Development Fund**

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008*</b>
<b>Fund Balance</b>	<b>\$841,271</b>	<b>\$694,476</b>	<b>\$518,440</b>	<b>\$474,232</b>	<b>\$656,808</b>	<b>\$882,141</b>	<b>\$410,879</b>
<b>Expense Area</b>							
Grants	\$429,440	\$351,767	\$435,757	\$223,909	\$126,718	\$398,989	\$329,423
Other Service Fees						412,275	255,563
Salaries & Wages							68,555
Benefits							25,626
Telephone							1,262
CDP Billback							602
Employee Expenses							40
State Indirect Cost				3,733			
Non Taxable Reimbursement							<u>30,000</u>
<b>Total Expenses</b>	<b>\$429,440</b>	<b>\$351,767</b>	<b>\$435,757</b>	<b>\$227,642</b>	<b>\$126,718</b>	<b>\$811,264</b>	<b>\$711,070*</b>
<b>% Change</b>		<b>-18.1%</b>	<b>23.9%</b>	<b>-47.8%</b>	<b>-44.3%</b>	<b>540.2%</b>	
*Partial year (July 1 - April 30).							
Source: State Auditor's Data							

In addition to funding administrative expenses, the types of grants made has changed. The 2005 budget narrative (a budget prior to the establishment of the ISDA) for this account indicates that grant applications were “accepted in two categories: shows and expositions; and projects to encourage the development of business and industry related to livestock promotion.” Also, the budget narrative indicated that 27 grants totaling \$292,922 were awarded in FY 2002 and 21 grants totaling \$354,960 were awarded in FY 2003 to Indiana livestock and poultry organizations.<sup>12</sup> (Note: There is a difference between the stated awards and the grant expense shown in Table 8, which may reflect a difference in the final award amount or a shift in the period the award is paid.)

In the 2007 budget narrative, the ISDA indicates it has committed over \$1.8 M of the LIPDF since FY 2006. The budget narrative indicates the LIPDF uses the funds to support communications and outreach groups, such as the Indiana Farm Bureau, the Pork Producers, and the Indiana Soybean Board, in the area of animal

<sup>12</sup>BudStars, Account Narrative, Department of Agriculture, version 2005-0036-G01, reporting level 04-01-036-05-025-00-00, fund/center 6000/134600.



agriculture. Also, the ISDA committed funds toward the Agriculture Economic Development Initiative (AEDI).<sup>13</sup>

According to information from the ISDA, Ginovus LLC was awarded a contract of \$1.25M over the 28-month period to facilitate the AEDI. AEDI is a project to assist local communities and regions to capitalize on agriculture as a natural asset to grow their economies. According to the ISDA, AEDI's impact on Indiana includes the following:

- AEDI fosters non-traditional partnerships between Local Economic Development Offices and agricultural leaders.
- AEDI provides professional assistance to regions and counties to tailor-make their own strategies.
- AEDI capitalizes on agriculture's \$10 billion multiplier effect on local economies.
- AEDI fosters regional relationships among counties.
- AEDI gives a framework for counties to identify and define food and agriculture issues proactively, such as developing land-use policies.
- AEDI helps leverage the power of local authority in developing strategic economic development plans.
- AEDI offers a toolkit of technical resources to empower local stakeholders.
- AEDI positions the state to be on the cutting edge of non-traditional economic partnerships.<sup>14</sup>

Also, according to the ISDA,

Ginovus (and subcontractors paid by Ginovus) provided comprehensive management and facilitation of the project. This included identifying stakeholders and leaders from each county and region to participate in the process, sending invitations to all meetings, making arrangements for meeting facilities, providing facilitation services and administrative support at all meetings (1 to 2 contractor staff at each county meeting, 4 to 6 contractor staff at each regional meeting), preparing and distributing meeting notes to meeting participants, preparing final action plans for each county and region, maintaining database of participants, etc. There were three county meetings in each of the 48 counties and three regional meetings in each of the six regions completed.<sup>15</sup>

## **Summary - Fiscal and Personnel**

The number of authorized positions has decreased, but the number of filled positions has increased about 14.5%. Increases in salary per full-time employee have occurred at a lower rate than in other state agencies. Administrative expenses have also increased with the establishment of the ISDA by about 51.2%, or \$1 M.

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<sup>13</sup>BudStars, Account Narrative, Department of Agriculture, version 2007-0036-G01, reporting level 04-01-036-05-040-00-00, fund/center 6000/134600.

<sup>14</sup>[http://www.in.gov/isda/files/AEDI\\_Phase\\_II\\_Exec\\_Summ.pdf](http://www.in.gov/isda/files/AEDI_Phase_II_Exec_Summ.pdf)

<sup>15</sup>Email message from Elisha Modisett, 5/15/2008 3:37 PM.

Causes of the administrative cost increase include additional administrative responsibilities associated with the transfer of the soil and water conservation program from DNR, and other indirect costs allocated to the ISDA, but not incurred due to the decisions of the ISDA. The ISDA has also suggested that certain expenditure increases have resulted from cost reassignments.

Reassigning expenditures should result in near-equal reductions and increases. Here, the offsetting decreases do not appear to equal the cost increases, suggesting that costs have increased. Administrative costs may increase as a result of the transfer of the conservation responsibilities from the Department of Natural Resources. However, these units came with their own budget in separated fund/centers. Costs for field staff and grants should not affect the fund/centers examined by this report.

The LIPDF has contracted for services for the AEDI, which seems to be involved with developing local strategy for economic development. Although the program appears to fit the mission of the LIPDF, it may more closely align with the Value-Added Research Fund which, after amendments in 2008, requires the ISDA to help local units plan strategies. Also, the LIPDF has overspent its listed appropriation and revenue, but not its fund balance.

Further, the ISDA has made a loan from the Value-Added Research Fund which has limited the administrative expenses that can be paid from the Fund. The ISDA loan to IN Partners LLC was approved by the Attorney General. However, the statute for the Value-Added Research Fund does not explicitly authorize loaning money from the Fund, nor does the ISDA statute provide either the Director or the agency explicit authorization for loan-making.

In addition, the Value-Added Research Fund is a nonreverting fund consisting of both Tobacco Settlement Fund and state General Fund appropriations by the General Assembly. There may be a constitutional impediment to the making of loans by the ISDA. Article 11, Section 12, of the Constitution of the State of Indiana reads as follows:

The State shall not be a stockholder in any bank; nor shall the credit of the State ever be given, or loaned, in aid of any person, association or corporation; nor shall the State become a stockholder in any corporation or association. However, the General Assembly may by law, with limitations and regulations, provide that prohibitions in this section do not apply to a public employee retirement fund.

The General Assembly has authorized the making of loans by certain entities that are not technically "state agencies" but are instead "bodies corporate and politic" that are legally separate from the state (see, for example, IC 5-28-3-2 concerning the Indiana Economic Development Corporation). Since they are not "the state", these entities are not subject to the constitutional prohibition on the lending of credit. However, the ISDA is a state agency, and it appears that the loan in question was made directly by the ISDA from state funds instead of being made on behalf of the ISDA by a nonstate entity.

In current statute, the ISDA has grant-making authority to support agricultural economic development through the Value-Added Research Fund and the LIPDF.

## Improved Marketing and Greater Focus on Agriculture

LSA used several methods to evaluate whether the ISDA has improved marketing and brought greater focus on Indiana agriculture. These included interviewing agribusinesses and commodity associations, reviewing strategy and accomplishments provided by the ISDA with in-depth review of one program, reviewing other states' agricultural marketing websites, and analyzing national agricultural and economic statistics. The best source for this evaluation is believed to be the interviews since these represent the impressions of the industry insiders who work regularly with the ISDA. Trends in agricultural and economic data are actually less indicative since the data are subject to many variables other than the establishment of the ISDA.

### *Overview*

When asked whether the ISDA has improved marketing, most respondents were positive. When asked for examples of how the ISDA has improved marketing, the two most common responses were the trade missions and the overall interest in agriculture from the administration.

### *Trade Missions*

The Governor and Lt. Governor have led eight trade missions, in various combinations, to Mexico, Germany, Japan, the United Kingdom, Taiwan, Vietnam, South Korea, and Central America. The ISDA provided a report titled *Trade Mission Overview and Success Stories* for this evaluation. According to the document, from the eight trips:

- Sales were made by Frank Miller Lumber Company, Inc.; Cole Hardwood; JBS United, Inc.; Matrix Global Partners; Easley Winery; Oliver Winery; and Clabber Girl.
- An agreement with a Mexican company to buy distillers dried grains with solubles from Indiana rather than another state.
- Significant follow-up opportunities from the Japan, Germany and United Kingdom, and Taiwan and Vietnam trips.
- During a trip to South Korea and Japan, Mitsubishi Corporation agreed to increase its pork processing operations in Indiana with 125 new jobs and an investment of \$43 M to expand plant capacity.
- From a trip to Taiwan and Vietnam, the president of a Vietnamese livestock feed technology and livestock genetics importer came to Indiana to meet with JBS United, Inc.; Maple Leaf Farms; Whiteshire Hamroc Swine Genetics; and the Indiana Soybean Alliance.
- Two relationships were established with formal agreements; and other more informal contacts were made with follow-up opportunities.
- Connections made with Bioenergy Village in Juehnde, Germany, resulted in a grant for the BioTown, USA exchange mission to Germany.

Very few of the respondents had actually been on a trade mission. However, the two who had participated indicated the missions were very well-planned with very little downtime. The trade missions to Mexico and Central America opened new markets for these participants, while trips to Europe allowed them to visit existing customers and meet potential new clients.

Some of the respondents who had not participated in trade missions still identified the trade missions as evidence of improved marketing. Reasons for not participating included the trips being too expensive and the markets accessed not being large enough. One respondent also indicated the notice about the trip only allowed three weeks lead-time, which was not considered long enough.

A review of state websites was also undertaken to provide information about marketing and promotion of agriculture in other states and the organizational structure supporting these functions. Each state's website for agriculture was opened to determine if there is a stand-alone department, a separate division for marketing or promoting agriculture, and to assess the important elements of the marketing or promotion campaigns. Connecting state producers to international markets is a strategy employed by most states as indicated by international marketing and global trade being mentioned by 35 state websites (80%).

### *Strategy*

Nine comments from the interviews indicated that the administration is pro-agriculture with several pointing to the Governor's campaign promise of doubling hog production and to the representation of agriculture in the state's economic development. The ISDA initiated a seven-point strategy for Indiana agriculture, which it updated to eight points in 2006. The current strategy points are presented below:

1. Hardwoods - Increase Indiana's competitiveness in the hardwood sector through technology advancements and consumer awareness of our quality advantage.
2. Bioenergy - Maximize Indiana's competitive advantage in agriculturally derived energy and lead the development of new technologies and sources of that energy.
3. Livestock Integration - Make Indiana a national leader in integrating livestock agriculture into local economic development planning by promoting sound production practices, public understanding of modern livestock agriculture, and land-use tools.<sup>16</sup>
4. Pork Production - Double hog production while increasing pork processing capacity in the state.
5. Regulatory Coordination - Ensure that agricultural regulatory standards are science-based and do not impede economic development by supporting a more streamlined agricultural regulatory structure and positioning ISDA as an agricultural ombudsman.
6. Diversification - Increase the number of diversified farms by encouraging and assisting farmers to adopt specialized, value-enhanced agricultural opportunities.
7. Food Processing - Leverage Indiana's comparative advantages in food processing research, general business climate, and logistics to expand Indiana's food processing sector.
8. Federal Farm and Trade Policy - Establish a state leadership role in formulating U.S. agricultural and trade policy and pursuing foreign market development opportunities to promote sustainable economic competitiveness.

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<sup>16</sup>This strategy was added in 2006.

The ISDA strategy met with mixed reaction from LSA's respondents. Five respondents felt that the strategy capitalizes on the trends and recognizes new areas, such as hardwood products. However, nine respondents suggested that the strategy did not sufficiently address traditional agricultural products, that it directed attention from small producers to high-profile or large-ticket items, or that the plan focused on developing products rather than markets for products.

### *Other State Comparisons*

The website review of other states was undertaken because Internet sites have become the window to the world for business. It is the easiest place to find information about the benefits of a business or a state. In general the marketing and promotion trends are quite similar among the states. For example, most states with marketing divisions mention international marketing. When it comes to outlook, however, the differences among the states are more apparent. In the descriptions provided, the words used to describe the role of the marketing division or the state agency varied from "assists" to more active roles characterized by words like "promotes" or "increases". The information gleaned from the website review is summarized below.

Referring to the review of state websites, for six states, including Indiana<sup>17</sup>, no specific division, bureau, or program concerning marketing or promotion was found in the Internet search of the department. This results in 44 state websites being included in this review. Alaska and Rhode Island both have marketing programs, but neither has a department of agriculture.

*Emphasized Products:* Agricultural products are given emphasis either through mention in the description of the division or with a specific link to additional information about the item. This suggests that agricultural product marketing trends are common among the states. Some special products targeted on states' websites include wine (10 states), apiary (2 states), Christmas trees (3 states), and nonfood uses of agricultural products (3 states). Organic products were discussed on 13 state websites, while agritourism and value-added products were each mentioned on 8 sites.

Agricultural products are going to vary somewhat based on the regional variations of climate and topography. The emphasis of these specialized products across states suggests that there are trends in marketing agricultural products that exist across states and may even spread across states.

*Methods:* As already discussed, 35 websites (80%) discuss international marketing and global trade. For marketing both at home and abroad, creating a brand identity (27 states), providing promotional events to showcase state-grown produce (23 states), and encouraging the development of farm markets (19 states) are the most popular methods used by the marketing divisions. Similar to creating a brand identity, states discuss inspections, certifications, or licensing (11 states) under their marketing area to encourage quality and to differentiate commodity products. About one-third of the states (14) have a link to at least one directory of producers, and many provide a link to several directories categorized by type of product. Five states emphasize the nutritional value of agricultural products or provide information on connecting the product to restaurants.

The marketing division websites also provide services for the producer, wholesaler, or retailer with connections to market news from the United States Department of Agriculture or other roundups of

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<sup>17</sup>This survey of other states' websites was completed in January 2008. The ISDA has, subsequent to this review, revised its website, and it is unknown if other states have made revisions as well.

information (16 states). Information gathering or statistical support (13 states); grants, loans, or other financing (10 states); land retention, use, or conservation (8 states); connecting producers with wholesalers or other market-setters (8 states); agricultural business recruitment (5 states); and mediation (2 states) round out the services that state marketing divisions provide to the marketing of agricultural products. For future farmers, there are 6 states that provide educational services.

Finally, there are only three states that specifically link to or mention their state fair. Several states mention county fairs, which were counted under the promotional events category.

*Perspective:* Almost every state division of marketing or promotion describes its function and emphasizes some aspect of the benefits of better agricultural marketing. The verb used to describe the role of the division and some of the benefits or beneficiaries were collected in a grid to describe the perspective of each state's marketing division.

When the verbs are compared, both passive role and active roles are detected. For example, 17 states "assist" or "help," which suggests a passive relationship with agency clients, while 8 states use the words "increase" or "enhance" and 11 states use "promote," which implies a more active role.

Many states connect agriculture with the state economy or the jobs the sector creates (15 states). Most states (24) are concerned with developing new markets or with the growth of agriculture. However, both viability (4 states) and sustainability (5 states) are mentioned. Hawaii leads a group of 7 states concerned with agricultural diversity as a way to sustain agriculture or even grow the sector. Twelve states mention working directly with producers or small farmers, while other states discuss agribusiness.

Indiana's strategy mentions two specific agricultural products, hardwoods and pork, and emphasizes economic development as well as value-enhanced products. The strategy of economic growth aligns the ISDA with the other states' agencies that are seen as having a more active role. Whether the ISDA's strategy will differentiate Indiana from other states has yet to be seen.

## **Accomplishments**

The ISDA provided LSA with a list of key accomplishments including:

- (1) Partnering with the Indiana Economic Development Corporation to bring 745 bioenergy jobs and \$2.1 B in investments, creating 398 jobs in hardwood with \$27.8 M investment, and adding 1,348 food processing jobs with \$583 M investment.
- (2) Revitalization of the livestock industry demonstrated by increases in livestock inventories or permits for confined feeding operations and confined animal feeding operations.
- (3) Supporting a \$30 M food and agriculture venture fund.
- (4) Establishing leadership in biofuels with six operating ethanol plants, four biodiesel plants, 100 public E85 pumps and many more biodiesel pumps, and six ethanol plants under construction.
- (5) Creating BioTown, USA, which gained national and international attention.

(6) Moving counties toward an “ag vision” through the AEDI, which has reached 48 counties.

(7) Receiving a Specialty Crop Block Grant from the U.S. Department of Agriculture (USDA) to fund four projects that enhance the competitiveness of Indiana’s specialty crops through promotion and consumer awareness. Projects include an agritourism directory, booth space at the Produce Marketing Association Fresh Summit for the Indiana Watermelon Growers, Farmers’ Market Advertising Cost-Share Reimbursement Program, and Indiana Flavor local foods pilot project.

(8) Recognizing the importance of Indiana hardwoods with the “Premium Indiana Forest Products” logo for the Asian market, and including Indiana hardwoods in seven of the eight completed trade missions. The Indiana Hardwood Lumbermen’s Association, Inc., was awarded a \$15,000 Value-Added Agriculture Funds grant to support the next phase of the “Premium Indiana Forest Products” branding campaign.

(9) Establishing leadership in global trade with the Governor and Lt. Governor leading eight trade missions with a focus on agriculture and through providing a workshop called “Getting Started in Exporting.”

(10) Promoting, with partners, modern agriculture to the public including educational campaigns and projects targeted at consumers and the general public.

(11) Recognizing the importance of good land-use planning to local economic development opportunities.

(12) Showcasing the efforts of livestock farmers to the general public including a voluntary Certified Livestock Producer Program, which is now in a pilot phase with various livestock producers participating across the state.

(13) Division of Soil Conservation aggressively pursuing conservation programs.

### *Measuring Success*

LSA looked for methods of independently determining if the creation of the ISDA improved marketing in Indiana, leading to a review of USDA’s National Agricultural Statistics Service (NASS) and Bureau of Labor Statistics data. The use of national statistics and across-state comparisons did not provide evidence for or against the effectiveness of the ISDA, but does provide a picture of the position of Indiana in the national market.

*Grain:* LSA reviewed county and state data for field corn and soybean production information from 2002 to 2007 for Indiana and surrounding and comparison states, and for the United States as a whole. Referring to Table 9, in 2002, Indiana provided 7.0% of the total United States field corn production; in 2007, it had increased to 7.6%. While this increase in production share bested Iowa, Kentucky, Michigan, Pennsylvania, Tennessee, and Wisconsin, it was less than the change in market share of neighboring Illinois and Ohio.

**Table 9: Percentage of U.S. Field Corn Production**

	2002	2003	2004	2005	2006	2007	2002-2007
Ohio	2.95%	4.75%	4.16%	4.18%	4.47%	4.14%	1.19%
Illinois	16.41%	17.96%	17.68%	15.38%	17.25%	17.47%	1.06%
Indiana	7.04%	7.80%	7.87%	8.00%	8.02%	7.55%	0.51%
Pennsylvania	0.64%	1.01%	1.16%	1.05%	1.11%	0.96%	0.32%
Kentucky	1.24%	1.47%	1.47%	1.40%	1.44%	1.34%	0.10%
Tennessee	0.73%	0.81%	0.73%	0.70%	0.59%	0.64%	-0.09%
Michigan	2.61%	2.58%	2.18%	2.59%	2.73%	2.23%	-0.38%
Wisconsin	4.37%	3.64%	2.99%	3.86%	3.80%	3.39%	-0.98%
Iowa	21.54%	18.52%	19.01%	19.46%	19.46%	18.12%	-3.43%

As seen in Table 10, from 2002 to 2004, average annual field corn production in Indiana increased 13.73%, which was 4.12% greater than the production growth rate nationwide. Between 2005 and 2007, both the nationwide and statewide production growth rates decreased. Indiana corn production grew 3.58% annually between 2005 and 2007, while the United States corn production grew 5.56% annually.

**Table 10: Average Annual Change in Corn Production**

	Indiana	United States
2002-2004	13.73%	9.61%
2005-2007	3.58%	5.56%

Turning to soybean production, shown in Table 11, the substitution effect between field corn and soybeans is seen by comparing soybean production statistics with field corn. In this case, Indiana's share of the national soybean market decreased from 8.69% in 2002 to about 8.15% in 2007. During this period, only Ohio and Pennsylvania increased production share, and Indiana's loss of production share was greater than Michigan, Wisconsin, and Kentucky.



**Table 11: Percentage of U.S. Soybean Production**

	2002	2003	2004	2005	2006	2007	2002-2007
Ohio	5.48%	6.72%	6.65%	6.58%	6.81%	7.51%	2.03%
Pennsylvania	0.37%	0.63%	0.63%	0.56%	0.53%	0.67%	0.30%
Michigan	2.85%	2.23%	2.41%	2.50%	2.81%	2.62%	-0.22%
Wisconsin	2.43%	1.91%	1.71%	2.27%	2.26%	2.01%	-0.42%
Kentucky	1.54%	2.20%	1.83%	1.74%	1.89%	1.09%	-0.46%
Indiana	8.69%	8.32%	9.10%	8.61%	8.91%	8.15%	-0.54%
Tennessee	1.26%	1.92%	1.55%	1.36%	1.38%	0.68%	-0.58%
Iowa	18.11%	13.97%	15.92%	17.14%	16.00%	16.97%	-1.14%
Illinois	16.46%	15.47%	15.85%	14.35%	15.13%	13.56%	-2.90%

In Table 12, between 2002 and 2004, soybean production increased 5.89% annually in Indiana, greater than the national average annual increase of 4.26%. However, between 2005 and 2007, Indiana production decreased 7.21% annually while national production decreased 5.50% annually. The annual increase in field corn production is similar to the loss in soybean production, confirming that soybeans and corn are substitution crops because the change in production offsets one another.

**Table 12: Average Annual Change in Soybean Production**

	Indiana	United States
2002-2004	5.89%	4.26%
2005-2007	-7.21%	-5.50%

For both field corn and soybeans, Indiana's average price per bushel is greater than the United States average price in the periods both prior to and after the establishment of the ISDA, as seen in Table 13. The change in price between the two periods is almost identical for Indiana and the United States, suggesting that the price for field corn and soybeans follows national trends. All other things being equal, the price received for a well-marketed product should be higher. Many variables influence the price of a commodity including uses of the product, transportation-to-market costs, amount of product produced, and proximity to markets. While the changes of prices in these data do not clearly indicate that the establishment of the ISDA has increased prices because of improved marketing programs, these data do not preclude the possibility that the ISDA has had an impact. For example, between the two time periods, Kentucky, Ohio, Pennsylvania, and Tennessee (field corn only) had a lower rate of price increase than the United States average. Since Indiana's rate of change is consistent with the national average, state marketing efforts influencing relative price levels cannot be ruled out.

**Table 13: Average Price per Bushel for Field Corn and Soybeans**

	Average Price per Bushel Field Corn			Average Price per Bushel Soybeans		
	2002-2004	2005-2007	% Change	2002-2004	2005-2007	% Change
Indiana	2.31	3.07	32.9%	6.29	7.60	20.8%
United States	2.27	3.01	32.6%	6.20	7.50	21.0%
Illinois	2.30	3.07	33.5%	6.34	7.81	23.2%
Iowa	2.19	2.99	36.5%	6.33	7.67	21.2%
Kentucky	2.45	3.16	29.0%	6.34	7.75	22.2%
Michigan	2.23	2.98	33.6%	6.21	7.28	17.2%
Ohio	2.32	3.00	29.3%	6.18	7.43	20.2%
Pennsylvania	2.73	3.40	24.5%	6.22	7.20	15.8%
Tennessee	2.37	2.90	22.4%	6.11	7.51	22.9%
Wisconsin	2.24	2.96	32.1%	6.05	7.13	17.9%

*Hogs:* Most of the respondents in the interviews indicated that the goal of doubling hog production is evidence of the administration commitment to agriculture. A review of the NASS data on hogs, shown in Table 14, indicates that between 2002 and 2007, Indiana has increased inventory about 10.8%. This is a little less than the average increase of 12.5% represented by the United States inventory. Even though inventory has increased for Indiana, the share of national inventory has decreased. The difficulty in changing the share of the national inventory allocation can be seen clearly in these data. For example, Iowa increased all hog and pig inventory by 21.9% but only gained 2.2% in inventory share, while Tennessee's inventory decreased 37.8%, but that state lost only 0.2% of the national inventory share.

**Table 14: All Hog and Pig Inventory and Inventory Share**

	All Hog and Pig Inventory			Inventory Share	
	2002	2007	Change	2002	2007
Indiana	3,250,000	3,600,000	10.8%	5.5%	5.4%
United States	59,544,200	66,962,500	12.5%	100.0%	100.0%
Illinois	4,150,000	4,250,000	2.4%	7.0%	6.3%
Iowa	15,500,000	18,900,000	21.9%	26.0%	28.2%
Kentucky	360,000	350,000	-2.8%	0.6%	0.5%
Michigan	870,000	1,020,000	17.2%	1.5%	1.5%
Ohio	1,440,000	1,810,000	25.7%	2.4%	2.7%
Pennsylvania	1,130,000	1,150,000	1.8%	1.9%	1.7%
Tennessee	225,000	140,000	-37.8%	0.4%	0.2%
Wisconsin	520,000	440,000	-15.4%	0.9%	0.7%

### *Ethanol Fueling Stations and Plants*

In 2007, the General Assembly appropriated \$1 M for the E85 Fueling Station Grant Program. According to statute, the ISDA may award grants for investment in and operation of E85 base fuel dispensing into the fuel tanks of motor vehicles. The E85 Fueling Station Grant Fund was established as a nonreverting state General Fund account consisting of money appropriated by the General Assembly.

According to information from the United States Department of Energy, Energy Efficiency and Renewable Energy Division, Indiana has increased ethanol fueling capacity to between 51 and 100 fueling stations in 2007. The following table shows the fueling stations by tier by state. Indiana was in the second highest tier along with seven other states. (The ISDA currently reports that Indiana now has more than 100 E85 stations.)

**Table 15: Ethanol Fueling Stations in 2007**

States	Number of Fueling Stations
Illinois, Minnesota	More than 100
Colorado, <b>Indiana</b> , Iowa, Michigan, Missouri, Ohio, South Dakota, Wisconsin	51-100
Georgia, Kansas, Nebraska, North Dakota, Texas	21-50
Arizona, California, Florida, North Carolina, New York, Pennsylvania, Tennessee	11-20
*All other states have 10 or fewer fueling stations.	
Source: United States Department of Energy, Energy Efficiency and Renewable Energy Division	

According to the ISDA only four awards have been made from the E85 Fueling Station Grant Fund in the last year for a total of \$20,000 granted. Awards are not paid, according to statute and departmental rules, until the station is installed and functioning, resulting in only \$10,000 having been expended from the fund to date. A new round of grant applications has gone out after the 2008 legislative session when the maximum grant award was increased to \$20,000 and local units were added to the eligible entities. The ISDA has received six inquiries since it issued a new grant notice and the maximum award was increased.

Turning to ethanol production, in 2008, among ethanol producing states, Indiana ranks sixth in online capacity, producing 470 M gallons of ethanol, and fifth in capacity under construction or expansion with an estimated 450 M gallons of ethanol production capacity planned. (See Table 16.) Between 2005 and 2008, Indiana's ethanol production capacity increased 802%, ranking the state seventh in capacity growth during that period.

**Table 16: U.S. Ethanol Production Capacity by State\***  
(Millions of Gallons)

Rank	State	2005	2008	Change	Rank	State	2005	2008	Change
1	Ohio	4.0	538.0	13350.0%	14	South Dakota	456.0	966.0	111.8%
2	Colorado	1.5	125.0	8233.3%	15	Minnesota	523.6	1,077.1	105.7%
3	Washington	0.7	55.0	7757.1%	16	Missouri	100.0	201.0	101.0%
4	California	8.0	228.0	2750.0%	17	Arizona	-	55.0	100.0%
5	Texas	30.0	355.0	1083.3%	18	New York	-	164.0	100.0%
6	North Dakota	33.5	343.0	923.9%	19	Oregon	-	148.0	100.0%
7	Indiana	102.0	920.0	802.0%	20	Georgia	-	120.4	100.0%
8	Michigan	50.0	265.0	430.0%	21	Louisiana	-	1.5	100.0%
9	Nebraska	523.0	1,834.5	250.8%	22	Illinois	816.0	1,141.0	39.8%
10	Kansas	149.5	507.5	239.5%	23	Kentucky	25.4	35.4	39.4%
11	Tennessee	67.0	205.0	206.0%	24	New Mexico	30.0	30.0	0.0%
12	Iowa	1,262.5	3,494.0	176.8%	25	Wyoming	5.0	5.0	0.0%
13	Wisconsin	210.0	498.0	137.1%		Total	4,397.7	15,320.4	248.4%
*Capacity for 2005 is not identified as online or under construction/expansion as it is for 2008. In 2008, both capacity online and under construction is used in this comparison.									
Source: Renewable Fuels Association, <a href="http://www.ethanolrfa.org">http://www.ethanolrfa.org</a>									

Referring to Table 17, for many of the states that increased online capacity between 2007 and 2008, there is a net decrease in the capacity that is under construction or expansion between 2007 and 2008. One interpretation of this change is that as capacity-expanding projects are completed, new projects are not being undertaken.

**Table 17: 2007-2008 Rate of Change in Ethanol Production Capacity**

Rank	State	Online	Construction /Expansion	Rank	State	Online	Construction /Expansion
1	Ohio	2166.7%	42.4%	14	South Dakota	28.4%	-25.1%
2	Indiana	360.8%	-18.3%	15	Iowa	21.0%	-6.5%
3	Kansas	103.5%	-74.6%	16	Minnesota	14.4%	90.2%
4	Texas	100.0%	-31.1%	17	California	7.4%	100.0%
5	Arizona	100.0%	-100.0%	18	Illinois	6.7%	-25.5%
6	New York	100.0%	-30.5%	19	Tennessee	0.0%	263.2%
7	Oregon	100.0%	-24.5%	20	Kentucky	0.0%	0.0%
8	Wisconsin	77.4%	-66.9%	21	New Mexico	0.0%	0.0%
9	Nebraska	74.4%	-28.4%	22	Wyoming	0.0%	0.0%
10	North Dakota	47.3%	46.7%	23	Georgia	0.0%	20.0%
11	Colorado	47.1%	-100.0%	24	Washington	0.0%	0.0%
12	Michigan	38.7%	-53.3%	25	Louisiana	0.0%	0.0%
13	Missouri	29.7%	0.0%		Total	15.1%	13.3%
Source: Renewable Fuels Association, <a href="http://www.ethanolrfa.org">http://www.ethanolrfa.org</a>							

Also, a handful of articles point to ethanol plant construction suspensions, including one planned plant in Indiana. There is no independent source tracking ethanol plants across the country. The only complete listing comes from an industry association, Renewable Fuels Association, which tracks operating plant capacity and plants under construction. The VeraSun plant planned for Reynolds, Indiana, is not mentioned in the listing, and this plant's construction was suspended due to the high cost of corn and the relatively low price of ethanol, according to company sources. However, VeraSun and other developer/operators who have suspended construction do have other projects under construction. This makes it difficult to determine if the adverse market conditions cited in the articles discussing these delays are occurring industrywide or if they are related to the specific projects. An additional issue in the future demand for ethanol is that in the federal farm bill of 2007, the fuel blending tax credit will decrease from \$0.51 to \$0.46.

### *Economic Indicators*

LSA also looked at economic indicators available through the Bureau of Labor Statistics (BLS). Wages and the number of establishments are available quarterly, based on the three-digit NAICS number, while number of employees is available monthly. The three-digit number is a high-level description of certain sectors of jobs. Quarterly data were necessary because preliminary 2007 data were reported for the first three quarters (or nine months) only. Complete-year 2007 data are unavailable, and using more detailed data would provide only one and a half years of information since the establishment of the ISDA.

Using the BLS data, as seen in Table 18, the average rate of change in four agricultural industry segments was developed using the three indicators - wages, number of employees, and number of establishments. The rate of change for two different time periods, 2001 to 2007 and 2004 to 2007, was used to provide a more detailed picture of the changes.

Information from the forestry and logging sector is incomplete for 2001, and, for this industry segment, there was very little change among the three indicators for the shorter period. The crop production sector has had negative growth in the number of employees, and minimal increases in the number of establishments and wages. This change is corroborated by the production information, above, which shows declining increases in growth. In the animal production sector, there is minimal increase in the number of establishments, but both the number of employees and wages have increased. The greatest increase in the indicators was in the agricultural and forestry support activities. The near-term indicators grew more than in a longer view, potentially suggesting some cyclical trend.

More detailed data and a longer-term perspective would better indicate the success of the strategies of the ISDA. Comparison with other states over a longer term could also indicate if the establishment of the ISDA has improved economic development in these sectors.

**Table 18: Average Annual Change in Economic Indicators by Industry**

	2001-2007*			2004-2007*		
	Employees	Establishments	Wages	Employees	Establishments	Wages
Crop Production	-1.1%	1.8%	1.6%	-2.0%	1.1%	1.9%
Animal Production	2.4%	0.2%	4.1%	3.3%	1.6%	4.3%
Forestry and Logging	ND**	ND	ND	-0.8%	0.1%	0.3%
Agricultural and Forestry Support Activities	2.2%	2.6%	6.1%	9.4%	4.3%	10.2%
* Blended data uses the full six or three periods for the first three quarters, and five or two periods for the fourth quarter. ** ND: Not Disclosable -- data do not meet Bureau of Labor Statistics or state agency disclosure standards.						
Source: Bureau of Labor Statistics, Quarterly Data, NAICS 111, 112, 113, 115						

### *Program Review*

In addition to metrics, LSA looked at the BioTown, USA project to further evaluate the ISDA's accomplishments. (See accomplishment 5.) BioTown, USA was designed to be a model project to prove the validity of waste-to-energy production solutions on a community-size scale, which was established through efforts of the Lieutenant Governor's office working with the ISDA and the state Office of Energy and Defense Development (OED).

Reynolds, Indiana, was selected as the site for BioTown in 2005. The goal is for BioTown to internally generate all of the power needed by the town within three years. The BioTown Plan provides for constructing and perfecting technologies necessary for waste-to-energy production as a platform to promote and educate both Reynolds residents and the nation about renewable energy. The BioTown Plan breaks the project into three distinct phases.

The ISDA indicates that the BioTown, USA project has received national and international attention including visits from various dignitaries and features on ABC's *Nightline*, CBS's *The Early Show*, as well as the *New York Times*. Also, the ISDA reports that Phase I is complete and that about 160 of Reynolds' residents have purchased flex-fuel vehicles. BioTown, USA has visited Bioenergy Village in Germany to share ideas. Additionally, the ISDA says that the Energy Systems Group (ESG), the second vendor selected to develop and operate the BioTown technology suite, is developing business plans and securing waste streams for construction and electricity production by 2008.

Additionally, LSA found that representatives from the ISDA, the OED, and the Lieutenant Governor's office performed a great deal of the necessary planning and negotiations to get the project started and that these agencies continue to support its development. The partnership between the ISDA and the OED was seen as beneficial to secure financing for BioTown, as the Lt. Governor's office reported that the OED was better able to leverage federal funding for the project. Both ISDA and OED hold voting membership on the BioTown Development Authority (BDA), the decision-making body for the BioTown project formed in October 2006. Also, the ISDA and the OED support ongoing projects such as finding a business interest to develop the technology suite when the first vendor did not continue with the project, and working to develop a visitor's center.

Between January 2005 and April 2008, approximately \$3.5 M has been awarded for use by the BioTown, USA project by the OED, the ISDA, and by federal sources. For general operations, the ISDA provided \$175,000 from the Rural Rehabilitation Account, a federally funded account under the ISDA's control. Of the federal funds grants provided by the OED, \$1.7 M went toward the wastewater treatment plant, \$324,400 went toward general operations, \$200,600 was used for 20 flex-fuel vehicles provided to Reynolds residents at no cost for two years, and \$86,000 reimbursed farmers for corn stover. The ISDA reports that the new financier, ESG, projects it will spend approximately \$10 M on the project. Also, ESG was named the recipient of a \$1 M rural development grant provided by the USDA.

A portion of the provided funding was spent to offset the cost of the free flex-fuel vehicles provided to Reynolds residents. The flex-fuel vehicle giveaway was a promotion used to educate residents about alternative fuels. In November 2005, the ISDA negotiated with General Motors (GM) to provide free two-year leases for 20 flex-fuel vehicles to Reynolds residents. At the end of these two years in November 2007, individuals that received the vehicles had the option to return the cars or purchase them. The Office of the Lieutenant Governor estimates that about 160 Reynolds residents capitalized on other deals offered by General Motors to purchase flex-fuel vehicles, including those that received the 20 free two-year leases. In late September 2006, a BioIsland that provides biofuel (both E85 and B20) to the residents of Reynolds to power their flex-fuel vehicles was operational.

Also, a portion of the funding was used to pay area farmers who had begun to produce corn stover. According to the Lieutenant Governor's office, Rose Energy, the original technology suite contractor, began to negotiate deals with area farmers to purchase bales of corn stover for a proposed gassifier. ISDA reports that no formal contract was ever created between the parties involved, yet area farmers began producing the corn stover bales. The OED provided a grant to the town of Reynolds for \$86,215 to reimburse farmers for the 5,000 bales of corn stover, although area farmers delivered only about 1,500 bales. Also, an independent farmer paid \$22,500 for the 1,500 bales that were delivered to the farmer for use as cattle bedding and feed.

As LSA undertook this review, newspaper articles began to appear indicating that BioTown was dead. Indeed, BioTown began to experience problems with Rose Energy that caused schedule delays in the successful completion of the goals identified for Phase II. According to the ISDA, the project is just experiencing delays but is still on track to meet its stated goals.

Construction of an ethanol plant planned for the Reynolds area has been suspended. In October 2007, VeraSun suspended construction of the ethanol plant in Reynolds when sale prices for ethanol declined steeply combined with the steadily higher purchase price for corn. The ethanol plant was planned for the Reynolds area due to the easy access to rail lines and the abundance of corn produced in the area. However, ISDA reports this plant is not considered part of the BioTown Plan, but is considered to be the result of renewed economic development the project brought to White County and to Reynolds, Indiana.

The BDA has a nine-member panel that consists of four White County representatives, two state agency representatives (OED and ISDA), two township representatives, and one academic advisor from Purdue University. Two of the four White County representatives work for the local economic development office. Of the two township representatives, one represents the Reynolds Town Board and the other acts as a trustee for Honey Creek Township, which is north of the town of Reynolds. The BDA was formed to accept federal funding for which a state agency may not qualify and to pursue opportunities for trademark revenues.

## **Conclusion**

This evaluation was conducted to focus on whether the reorganization of the ISDA has accomplished its goal of promoting agriculture as measured by improved marketing and greater focus on agriculture in the state. Using budget and expenditure information, industry interviews, agricultural statistics, and in-depth program reviews, the changes from the reorganization are inconclusive at this time. While the quantifiable changes do not clearly indicate that the reorganization has improved the state agricultural promotional effectiveness, neither does the available data preclude the possibility that the ISDA has had a beneficial impact on the agricultural economy.

Expenditure changes between the former organization, the Office of the Commissioner of Agriculture in the Lieutenant Governor's office, and the state agency, the ISDA, indicate that more money is being used for personal service contracts and fewer grants are being issued. There has been an increase of personnel and about \$1 M increase in overall expenditures for administration involved in marketing and promotion. However, some of the increase in administrative costs may be attributed to new responsibilities for the ISDA and cost allocations over which the ISDA has little control.

Statistics show that certain agricultural commodities are growing on par with the national average. The results if the ISDA had not chosen to emphasize these commodities in its strategic plan are unknown, making a judgement of whether the ISDA has improved marketing rather difficult to quantify.

Our in-depth look at BioTown, USA indicates that the project has brought more attention to renewable energy on a national and international level. The aggressive schedule for development of BioTown has not been fulfilled, but the project has the potential to leverage federal funds and private dollars including projected spending of \$10 M by the developer and operator of the BioTown technology suite.



## **Appendix A**

### **LSA Survey Respondents**

<b>Agency</b>	<b>Contact</b>
Agribusiness Council of Indiana; Indiana Grain and Feed Association; Indiana Plant Food & Ag Chemical Association; Indiana BioFuels Alliance	Cress Hizer
Farm Bureau	Bob Kraft
Indiana Beef Council Indiana Beef Cattle Association	Julia A. Wickard
Indiana Beekeepers Association	Steve Doty
Indiana Dairy Council	Deb Osza
Indiana Horse Council	David Howell
Indiana Pork	Michael Platt
Indiana State Beekeepers Association, Inc.	Dave Shenefield
Indiana State Poultry Association	Paul Brennan
Indiana Vegetable Growers Association	Liz Maynard Bruce Waterman
Indiana Hardwood Lumberman's Association	Ray Moistner
Maple Leaf Farms	Dan Harper
National Farmer's Union	Jim Benham
Purdue Agriculture	John Baugh
Purdue Dairy Specialist	Mike Schutz
Red Gold	Steve Smith
Rose Acre Farms	Joe Miller
Soil Conservation Association	Jennifer Boyle
State Board of Animal Health	Terry Philibeck
Tyson	David Whittington